

Message Text

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SUBJ: MARKET RESEARCH - METALWORKING MACHINERY AND EQUIPMENT

REF: LIMA 10460

SUBJECT MARKET RESEARCH COMPLETED AND BEING SUBMITTED AS ENCLOSURE
TO AIRGRAM. ADVANCE COPY BEING AIRPOUCHED TO T.K. BREWER (USDOC/OIM).

FOLLOWING ARE HIGHLIGHTS AND CONCLUSIONS OF STUDY:

1. PERUVIAN PRODUCTION OF METALWORKING MACHINERY, ALTHOUGH GROWING,
IS STILL OF NO MAJOR SIGNIFICANCE AND CONFINED PRINCIPALLY TO
ELECTRIC WELDING EQUIPMENT, STEEL FILES, HYDRAULIC AND ECCENTRIC
PRESSES, DRILL AND TOOL BITS, MECHANICAL SAWS, SAW BLADES, KNIVES
FOR LATHES, DRILLING MACHINES, UNIVERSAL LATHES AND CERTAIN TYPES
OF INDUSTRIAL FURNACES. SOME OF THIS PRODUCTION, PRINCIPALLY DRILL
AND TOOL BITS, SAW BLADES AND KNIVES FOR LATHES, METALWORKING PRESSES,

MECHANICAL SAWS AND INDUSTRIAL FURNACES, ARE EXPORTED TO THE
NEIGHBORING COUNTRIES OF BOLIVIA, ECUADOR AND COLOMBIA.

2. PERU'S DEPENDENCE ON FOREIGN SUPPLY SOURCES FOR ITS METALWORKING
MACHINERY AND EQUIPMENT REQUIREMENTS IS EXPECTED TO CONTINUE FOR
MANY YEARS DESPITE PERUVIAN GOVERNMENT AND PRIVATE SECTOR EFFORTS
TOWARDS EXPANDING PRESENT INSTALLATIONS AND ESTABLISHING NEW METAL-
WORKING COMPLEXES THROUGHOUT THE COUNTRY. FUTURE IMPORTS FOR MOST
METALWORKING MACHINERY AND EQUIPMENT ARE EXPECTED TO CONTINUE
IN THE UPWARD TREND ACHIEVED DURING THE PAST THREE YEARS AS THE
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COUNTRY'S PRESENTLY DIFFICULT ECONOMIC SITUATION IMPROVES.

3. TRADE AND INDUSTRY SOURCES BELIEVE THAT THE UNITED STATES WILL MAINTAIN ITS LEADERSHIP IN THE OVERALL SUPPLY OF METALWORKING MACHINERY AND EQUIPMENT TO PERU, BUT THAT IT WILL CONTINUE GRADUALLY TO LOSE PREDOMINANCE IN THE SUPPLY OF CONVENTIONAL MACHINERY AND EQUIPMENT IN FAVOR OF WEST EUROPEAN AND EAST EUROPEAN COUNTRIES, AS WELL AS JAPAN, BRAZIL AND ARGENTINA. THIS LOSS, HOWEVER, IS EXPECTED TO BE OFFSET SOMEWHAT WITH AN INCREASE IN THE SUPPLY OF ADVANCED AND MORE SOPHISTICATED U.S. EQUIPMENT TO THE METAL PRODUCTS INDUSTRY. THE PREFERENCE ENJOYED BY U.S. MACHINERY AND EQUIPMENT AMONG END-USERS FOR THEIR HIGH QUALITY AND PERFORMANCE AND THE FACT THAT PRINCIPAL END-USERS HAVE THEIR PLANTS AND EQUIPMENT BUILT TO UNITED STATES STANDARDS AND RUN BY ENGINEERS AND TECHNICIANS TRAINED IN THE UNITED STATES ARE FACTORS FAVORING THE PERMANENCE OF THE UNITED STATES AS THE NUMBER ONE SUPPLIER OF METALWORKING MACHINERY AND EQUIPMENT TO PERU IN COMING YEARS.

4. STATE-OWNED INDUSTRIAL ORGANIZATIONS AND THE MANUFACTURING INDUSTRIES OF THE PRIVATE SECTOR ARE THE MARKETS OFFERING THE HIGHEST SALES POTENTIAL FOR DOMESTIC AND IMPORTED METALWORKING MACHINERY AND EQUIPMENT. STATEOWNED ENTERPRISES HAVE STRENGTHENED THEIR POSITION IN THE METALWORKING FIELD TO THE DETRIMENT OF THE PRIVATE SECTOR. THIS CONTINUED AND STEADY PENETRATION OF THE STATE IN INDUSTRIAL ACTIVITIES FORMERLY RESERVED FOR THE PRIVATE SECTOR IS REGARDED AS A STRONG NEGATIVE FACTOR RESTRICTING LOCAL AND FOREIGN INVESTMENT NEEDED FOR A RAPID AND SUSTAINED DEVELOPMENT OF THE METALWORKING SECTOR.

5. WITH THE EXCEPTION OF IMPORT PROHIBITIONS ON A FEW LOCALLY MANUFACTURED ITEMS AND ON PRODUCTS AND MACHINERY MANUFACTURED IN OTHER ANDEAN PACT COUNTRIES, THERE EXIST NO SERIOUS CUSTOMS, CREDIT, TAX EXCHANGE OR MONETARY BARRIERS IMPEDING THE IMPORTATION INTO PERU OF METALWORKING EQUIPMENT AND MACHINERY.

6. TRADERS AND END-USERS BELIEVE THAT IN ORDER FOR UNITED STATES SUPPLIERS TO STRENGTHEN FURTHER THEIR PRESENT DOMINANT POSITION IN THE PERUVIAN MARKET, THEY MUST OVERCOME THE FOLLOWING NEGATIVE FACTORS: (1) INDIFFERENCE AND UNDERESTIMATION OF THE PERUVIAN MARKET, (2) INABILITY TO SUPPLY LESS EXPENSIVE CONVENTIONAL MACHINERY AND EQUIPMENT, (3) DELAYS IN THE DELIVERY OF ORDERS, (4) LIMITATION ON UNCLASSIFIED

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LONG-TERM FINANCING, (5) ABSENCE OF REGULAR EXHIBITIONS DEMONSTRATING LATEST IMPROVEMENTS AND TECHNOLOGY, (6) LACK OF DIRECT AND CONTINUED COMMUNICATION WITH END-USERS AND (7) LACK OF AGGRESSIVE PROMOTIONAL EFFORTS.

7. BASED ON THE RESULTS OF THIS SURVEY, THE EMBASSY FEELS THAT FAVORABLE MARKET CONDITIONS EXIST IN PERU FOR U.S. SUPPLIERS OF METALWORKING MACHINERY AND EQUIPMENT.

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